



**United Nations
Conference
on Trade and
Development**

Distr.
GENERAL

TD/B/COM.3/42
19 December 2001

Original: ENGLISH

TRADE AND DEVELOPMENT BOARD
Commission on Enterprise, Business
Facilitation and Development
Sixth session
Geneva, 18-22 February 2002
Item 3 of the provisional agenda

**ELECTRONIC COMMERCE AND INTERNATIONAL TRANSPORT SERVICES:
BEST PRACTICES FOR ENHANCING THE COMPETITIVENESS OF
DEVELOPING COUNTRIES**

Note by the UNCTAD secretariat

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INTRODUCTION

1. The Plan of Action adopted by UNCTAD X (TD/386) requested UNCTAD to undertake work on the implications for developing countries of the economic, social and legal aspects of electronic commerce, in particular issues of concern in transport and other related service sectors (para. 157). The Expert Meeting on Electronic Commerce and International Transport Services: Best Practices for Enhancing the Competitiveness of Developing Countries was held in response to that request. Experts discussed the impact of electronic commerce on international transport services, including economic, operational, legal and documentary aspects. Their deliberations resulted in the adoption of conclusions and recommendations agreed by all of them. They considered that the agreed recommendations reflected the central issues crucial for fostering electronic commerce, particularly in relation to international transport services.

2. The conclusions and recommendations of the Expert Meeting were sent to member States for comments. Four member States¹ provided comments, which are taken into account in this note. The purpose of this note is to assist the Commission in its consideration of the policy issues related to electronic commerce and international transport services that were examined by the experts. It is divided into three sections. The first section highlights the importance of transport services in development, including their interlinkage with information and communication technology. The second section focuses on specific policy issues requiring action at the national and international levels, while the third section presents possible areas of future work for UNCTAD.

¹ Colombia, Fiji, Niger and Tonga.

Chapter I

INTERNATIONAL TRANSPORT SERVICES AND DEVELOPMENT

3. The emergence of electronic commerce has important implications for transport. Businesses cannot take advantage of new ways of conducting commercial transactions if adequate transport infrastructure and services cannot be made available to bring the goods thus traded to the market. Many developing countries find themselves in a situation where the benefits of electronic commerce cannot be reaped because of a lack of access to adequate transport services and consequently a lack of ability to translate progress in the *new economy* into real benefits. Governments of developing countries need to ensure that their national transport connects seamlessly with international transport services. This requires the development and implementation of an integrated national transport plan that is supported by an up-to-date legal infrastructure. The implementation of the plan will require steps to improve efficiency and also investment in infrastructure, equipment and manpower with the participation of the private sector. Transport linked to information and communication technology can therefore be expected to be a crucial sector for development and one of the areas on which national and international activities must concentrate in order to ensure the sustainability of trade- and technology-based development processes.

Chapter II

POLICY QUESTIONS FOR CONSIDERATION BY THE COMMISSION

A. Possible policy action at the national level

4. The last decades of the twentieth century witnessed the extraordinary growth in international economic relations and the new production and distribution methods that collectively are known as globalization. Globalization has dramatically altered the volume and pattern of the movement of goods, and increased demands on both international and national transport systems. Although transportation cannot claim exclusive responsibility for the success of economic globalization, it remains an essential factor that cannot be replaced. Developing countries, while still benefiting from lower labour costs and national resources, must rely more on access to international transportation and telecommunications, the quality of local infrastructure and a supportive policy in order to compete in the global market place. Without a policy to develop national collection, distribution and intermodal facilities developing nations will be unable to benefit from development offered by trade or attract investment by foreign firms. Consequently, considerable investments in transport and telecommunication infrastructure will need to be made to provide the quality of service required for international trade.

5. The ability of nations to make such investments will determine which countries are able to compete successfully. Governments are encouraged to implement policies to give priority to both public and private investment in transport and telecommunication infrastructure. Public-private sector partnerships whereby the Government provides funding for basic infrastructure and the private sector supplies superstructure and equipment are being used in a number of developing countries. Technical developments continue to make information and telecommunication infrastructure more affordable. Investment in the national telecommunication sector is required in order both to expand the network and to improve circuit capacity and bandwidth so as to reduce access prices. Private sector involvement should be encouraged. Since virtually all international shipments require the use of more than one mode of transport, Governments need to ensure that transport infrastructure development is coordinated and appropriate for national requirements.²

6. The use of large container ships working in global shipping alliances for the transport of manufactured goods will need expanded port facilities. This can lead to groups of countries establishing port development policies that will employ available resources most economically on a regional basis, for example by the development of a regional hub port. The development of regional rail networks with a common gauge is another method of reducing transport time and costs. Regional cooperation agreements along transit transport corridors are a means of streamlining procedures, focusing national and regional development along key links and attracting capital. The development of regional telecommunication infrastructure is a means of benefiting from economies of scale. A number of regional

² See para. 1 of the Agreed Conclusions and Recommendations, TD/B/COM.3/EM.12/L.1.

commissions noted at the Expert Meeting that Governments had concluded regional cooperation agreements, and Governments were urged to continue their policy of developing such agreements.³

7. A further policy question raised by the discussions was the issue of Governments giving consideration to adapting national laws and regulations to foster electronic commerce. Experts acknowledged that the application of the existing rules and regulations in an electronic environment could create obstacles to the development of e-commerce in general and in the transport sector in particular. The requirements for a "written", "signed" and "original" document arising from international conventions applicable to transport were considered to be a major impediment. Experts therefore reaffirmed the need for a legal framework that is supportive of, and conducive to, electronic commerce. This issue had been addressed and highlighted on a number of occasions within UNCTAD as well as in other international organizations. Indeed, the UNCTAD Expert Meeting on Capacity-Building in the Area of Electronic Commerce: Legal and Regulatory Dimensions, held in 1999,⁴ urged Governments to examine their existing legal infrastructure and adapt it to the requirements of electronic commerce, and to prepare such new laws as might be necessary.

8. It emerged from the experts' discussions that a number of Governments had enacted, or were in the process of enacting, legislation to accommodate electronic commerce. References were made to the Model Law on Electronic Commerce (1996) and the Model Law on Electronic Signatures (2001) adopted by the United Nations Commission on International Trade Law (UNCITRAL), which provide internationally agreed guidelines and principles for national legislators in this respect.

9. In the light of these discussions, experts considered it necessary to further call upon Governments to take measures for streamlining and adapting their existing legal infrastructure to the requirements of electronic transactions. To promote uniformity of approach and avoid the emergence of diverse national laws, experts encouraged Governments, in adapting their legal infrastructure, to give consideration to the existing international rules and guidelines, such as the UNCITRAL Model Laws.⁵

10. It should be recalled that the existing international conventions applicable to maritime transport, such as the Hague and Hague-Visby Rules, mainly apply to documents and thus prevent the use of electronic means of communications. On the other hand, international conventions governing air and rail transport were revised in 1999⁶ to permit the use of electronic messages to replace traditional transport documents. Thus, recognizing the negative implications for transport providers and users of failure to comply with the requirements of applicable international conventions, experts encouraged Governments "to

³ Ibid., para. 2.

⁴ See the Agreed Conclusions and Recommendations of the Expert Meeting, TD/B.COM.3/EM.8/3.

⁵ See paras. 3 and 4 of the Agreed Conclusions and Recommendations, TD/B.COM.3/EM.12/L.1.

⁶ See the Montreal Convention (1999) on air carriage and the Convention on rail carriage (1999).

give consideration to adopting the existing international transport treaties that allow the use of electronic transport documents".⁷

11. Experts agreed that administrative regulations and practices related to the movement of goods could be simplified to reduce transport delays and facilitate the use of information and communication technology.⁸ In particular, a policy to reform customs procedures and use information technology can speed up customs clearance. Creation of a trade and transport facilitation body is another means used to bring the various parties together to analyse existing national procedures and reform them on the basis of international recommendations and standards.

12. Containerization has increased the productivity of ports and ships and thus speeded up the flow of goods. However, cargo moving through ports can be delayed because of missing or insufficient information that prevents the planning of operations and the rapid clearance of cargo. The use of information and communication technology will reduce both the time for information exchange and the number of errors due to multiple transcriptions of data. The development of a port community information system has been the goal of many ports as a means of improving the accuracy and flow of information. In a number of ports, the relevant departments (customs administration and port authority) and the business community have established joint companies to develop, install and operate such systems. For many companies, the primary objective was to create an interface with customs. Subsequently, they expanded their functionality to send and receive other messages, often via the Internet.

13. Governments can adopt a policy to promote and partially fund the development of a computerized port community system to make ports more efficient and speed up the flow of goods.⁹ The system would allow the various actors involved in the movement of goods to exchange information electronically, via both electronic data interchange and the Internet. The advantage of the community system is that all authorized partners have access to the same information, which can be updated before the goods arrive and then as they move through the port area. The two key parties are the port authority and the customs administration, both government organizations. The development of such systems should make full use of standard messages so that information can also be exchanged internationally. To promote use of the system, Governments should develop systems that require traders to use the Internet for the filing of documents required for international trade and transport.

14. Where appropriate, Governments should introduce a policy to liberalize market access conditions for telecommunication service providers, in particular for Internet service providers.¹⁰ Countries with larger numbers of the latter generally have lower Internet charges than countries with a smaller number. In general, it has been observed that whenever competition has been introduced into the market, prices have dropped and the quality of

⁷ See para. 5 of the Agreed Conclusions and Recommendations, TD/B/COM.3/EM.12/L.1.

⁸ *Ibid.*, para. 6.

⁹ *Ibid.*, para. 8.

¹⁰ *Ibid.*, paras. 9 and 10.

service has improved. This is particularly important for allowing the general public to have access to the service.

15. In addition to the need for transportation and communication infrastructure, the experts stressed the importance of Governments and enterprises in promoting public awareness of and education in all aspects of electronic commerce and the opportunities and benefits it offers.¹¹ A policy to provide this training in the educational system and through classes for adults is a proven method to overcome any shortcoming in this respect. Each country needs to implement the scheme that is best suited to its requirements, but the Government has a key role to play.

B. Possible policy action at the international level

16. Experts agreed that the international community could play an important role in improving the competitiveness of developing countries' trade and transport operators. International organizations involved in electronic commerce and transport were therefore called upon to cooperate and coordinate their activities in this context. They were also encouraged to strengthen their legislative, technical and financial assistance to developing countries in the following areas:

- (a) Reviewing and adapting national laws and regulations;
- (b) Promoting awareness, and providing education and training;
- (c) Developing transport and telecommunications infrastructures;
- (d) Strengthening transport and telecommunications service providers.

17. In addition, a member State proposed in subsequent comments that international organizations also assist developing countries in strengthening their information technology infrastructure.

¹¹ Ibid., para. 11.

Chapter III

PROPOSALS FOR THE FUTURE WORK OF UNCTAD

18. The recommendations of the Expert Meeting addressed to UNCTAD provide direction as to its future work in this field. They reaffirm the need for regular review and monitoring of developments relating to economic, commercial and legal aspects of electronic commerce and international transport services, including analysis of their implications for developing countries.¹² A subsequent comment from a member State proposed that UNCTAD monitor the progress of Governments in adapting their legal infrastructure to the requirements of electronic commerce, in adopting international transport treaties allowing the use of electronic transport documents and in promoting public awareness of the use of electronic commerce.¹³ This could be carried out through UNCTAD's recurrent publications and specific studies.

(19) Experts discussed the role of transport documents, particularly bills of lading, in international trade and the possibilities for their replacement by electronic alternatives. The functions of the bill of lading as a receipt for goods, evidence of contract and a document of title were highlighted. The document of title function of the bill of lading has made it a key document in international trade, enabling the sale of goods between parties located in different parts of the world. Being a document of title, the bill of lading represents the goods and the transfer of rights in the goods can be effected by transfer, or endorsement, of the bill of lading. The bill of lading can therefore be transferred many times during the voyage without the knowledge of the shipowner. To enable delivery of the goods to the rightful owner by the shipowner, original bills of lading have to be presented at the port of destination.

20. Problems arise from the fact that modern transport technologies have resulted in accelerated arrival of the goods at the port of destination, but not of the documents. The late arrival of the bills of lading results in extra costs and liability arising from delivery of the goods without production of the original bill of lading or delivery against "letters of indemnity". Thus, while the document of title character of the bill of lading has made it an important document in international trade, it has also caused the most difficulties and will continue to cause difficulties in relation to the replacement of bills of lading by electronic alternatives.

21. The difficulties arising from the use of bills of lading have resulted in calls for the use of non-negotiable transport documents such as sea waybills. Although sea waybills function as a receipt for the goods and evidence of contract, they are not documents of title and do not need to be presented to the carrier at the port of destination against delivery of the goods.

¹² Ibid., para. 17.

¹³ Ibid., paras. 3, 4, 5 and 11.

22. There have been repeated calls by the international community¹⁴ for wider use of sea waybills whenever there is no intention to transfer ownership of the goods while they are in transit. It emerged from the discussions at the Expert Meeting that negotiable bills of lading are used even in trade where no negotiable transport document is required.

23. Furthermore, in the context of electronic commerce, it is the negotiability aspect of the bill of lading that constitutes a major obstacle in establishing an electronic alternative. Under the existing rules and regulations legal rights are attached to the physical possession of paper documents. Thus, the so-called electronic bill of lading is not considered a document of title.¹⁵ The wider use of non-negotiable transport documents will therefore greatly facilitate transition to an electronic environment.

24. In view of this, experts encouraged commercial parties to revise their commercial practices with respect to the use of traditional negotiable documents,¹⁶ and they considered that the preparation of a study by UNCTAD would be necessary for ascertaining the current situation. As indicated by the experts,¹⁷ UNCTAD could study the extent to which negotiable transport documents such as bills of lading are necessary for modern-day international trade and to what extent they can be replaced by non-negotiable transport documents such as sea waybills and by electronic alternatives.

25. In discussing the legal issues and uncertainties arising from the use of electronic means of communications in international trade and transport, experts noted that a number of Governments had enacted, or were in the process of enacting, legislation to provide a supportive and favourable legal environment for the development of electronic commerce. The work of UNCITRAL in the preparation of the Model Law on Electronic Commerce (1996) and the Model Law on Electronic Signatures (2001) aimed at providing guidelines to enacting States was highlighted. It was recalled that the future work of UNCITRAL included the preparation of an international instrument to overcome legal obstacles arising from the application of the existing international conventions governing international trade and transport.

26. The experts considered that pending the establishment of the necessary legal framework, the contractual rules and arrangements of the parties could play an important role in providing solutions to, or complementing the laws and regulations in addressing, some of the legal uncertainties. It was recognized that not all legal obstacles could be overcome by contractual arrangements. For example where legal requirements for "written", "signed" or "original" documents arise from a law or an international convention, contractual arrangements will have no effect. UNCTAD was therefore requested to carry out research into the nature of, and the extent to which, the contractual agreements of the parties can be

¹⁴ See the recommendations by the United Nations Economic Commission for Europe, "Measures to facilitate maritime transport documents procedures", No. 12 Rev.1; www.unece.org/cefact/rec/rec12en.htm.

¹⁵ For more detailed information, see "Electronic commerce and international transport services", TD/B/COM.3/EM.12/2, part II, Legal and Documentary Aspects, paras. 30-50.

¹⁶ See para. 12 of the Agreed Conclusions and Recommendations, TD/B/COM.3/EM.12/L.1.

¹⁷ *Ibid.*, para. 18.

used as a solution to facilitate wider use of electronic commerce in international transport services.¹⁸

27. Experts again stressed the importance of human resource development and called upon UNCTAD to develop and deliver training materials and disseminate information on the latest developments in the field of electronic commerce and international transport services.¹⁹ Development should be demand-based, resulting from requests from developing countries, and should be carried out in close collaboration with private operators.

28. UNCTAD was also requested to assist developing countries in the conceptual design of port community information systems,²⁰ a number of which have been developed in both developed and developing countries. Although such systems are international in nature, there has been a tendency to develop standard national messages for the exchange of information. The secretariat could collect information on these systems, including how they have been set up and organized, how they are funded, what information is exchanged, what standards have been used, what agreements have been drawn up and what are the core applications. The experience gained by the secretariat in its technical assistance programmes for transport information and customs systems would provide valuable inputs to this study. On the basis of an analysis of this information, guidelines could be prepared that would facilitate the design and implementation of a port community information system. This would result in an approach that maximizes the use of existing international standard messages.

29. Finally, the experts expressed their opinion that reconvening the Expert Meeting on a regular basis would provide a forum in which developing countries could benefit from a dialogue on best practices in electronic commerce and international transport service.²¹ This would allow progress on the agreed recommendations to be monitored and thus provide a mechanism for follow-up.

¹⁸ *Ibid.*, para. 19.

¹⁹ *Ibid.*, para. 20.

²⁰ *Ibid.*, para. 21.

²¹ *Ibid.*, para. 22.



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GENERAL

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Original: ENGLISH

TRADE AND DEVELOPMENT BOARD
Commission on Enterprise, Business
Facilitation and Development
Sixth session
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Item 4 of the provisional agenda

**IMPROVING SME COMPETITIVENESS: ACCESS TO FINANCE AND
E-FINANCE**

Note by the UNCTAD secretariat

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INTRODUCTION

1. The Expert Meeting on Improving the Competitiveness of SMEs in Developing Countries: The Role of Finance, including E-Finance, to Enhance Enterprise Development was held in Geneva from 22 to 24 October 2001. It was attended by 120 experts and resource persons. A total of 44 countries were represented: 29 from G77, 12 from Group B and 3 from Group D.

2. The Expert Meeting discussed practical solutions from the point of view of the supply side (banks, other financial institutions) and the demand side (small and medium-sized enterprises (SMEs)). It also discussed the emerging opportunities for e-finance, including e-payments, Internet banking, e-trade finance and e-credit information. These discussions were enriched by documentation prepared by the secretariat (see annex) and over 50 expert presentations and papers. After an exchange of views, the experts adopted the Outcome of the Expert Meeting, which contained policy options and practical measures that could be taken by Governments, the private sector, non-governmental organizations (NGOs), international organizations and in particular UNCTAD. This note focuses on the main outcomes, which are contained in sections A and B of chapter II. The secretariat will supplement this analysis with the responses from Governments on the feasibility and desirability of the recommendations.

Chapter I

POLICY ISSUES FOR CONSIDERATION BY THE COMMISSION

A. Finance

3. The experts noted that sustainable economic growth is strongly related to the rate of enterprise creation and technical innovation. Vigorous enterprise creation depends on a nation's entrepreneurial culture and the ease with which SMEs can be started and financed. Access to finance is therefore a crucial determinant of a nation's competitiveness. In developed and developing countries alike SMEs provide at least 60 to 70 per cent of all jobs. However, financial institutions are generally biased against lending to SMEs for reasons such as perceived high risk and high transaction costs. The preferred customers of commercial banks are Governments and large corporations. The experts examined a number of financial innovations being used by banks in developed countries that make SME lending highly profitable.

4. The experts indicated that overcoming the reluctance of banks would require public-private sector dialogue, modification of regulatory requirements, dissemination of financial innovations and the combining of business with financial services via partnerships. They agreed that well-regulated and properly functioning financial systems were necessary, as well as restraint by the Government in terms of its borrowing from the private sector. As long as Governments in developing countries continue to crowd out private sector borrowing, commercial banks will have no interest in adopting any of the financial innovations being used with such success in developed countries and some developing countries. Thus, there are two essential steps that Governments must take: first, they must achieve fiscal balance and reduce borrowing; and second, they must remove unreasonable restrictions on SME lending while at the same time maintaining prudential supervision.

5. Raising awareness via public-private sector dialogue among government regulators, banks, SME representatives and the international community can help resolve the constraints which banks face in serving SMEs, and promote financial innovations which reduce perceived risks and costs. The ability to adopt the many innovations examined by the experts and described in detail in the secretariat's background paper requires that development agencies and financial institutions help commercial banks in developing countries to improve their core competencies through capacity-building.

B. E-finance

6. It is important to draw the Commission's attention to the experts' general recommendation related to the importance of putting in place modern and technology-neutral monetary and financial regulations and institutions in developing and transition economies. On the one hand, such a regulatory and institutional environment should not stifle financial innovation and the introduction of new Internet-based technologies in the financial sector. On the other hand, it should decrease barriers facing SMEs' access to finance and e-finance at the

local, regional and global levels. Furthermore, the borderless nature of e-finance greatly increases the importance of coordination among national financial supervisory authorities for the purpose of better managing systemic risks originating in the financial sector.

7. Another general precondition for developing e-finance is the creation in developing and transition economies of an e-commerce-friendly policy framework in order to improve telecommunications infrastructure and connectivity, adopt internationally compatible laws on e-commerce, e-contracts and e-signatures, enhance the security of electronic communications and undertake other e-commerce capacity-building measures.

8. Experts agreed that building up e-finance arrangements for developing country SMEs, including automated and regularly updated Internet databases on SMEs' performance, could actually improve their risk profile and hence their access to finance and e-finance. They considered those modes of e-finance that are of immediate relevance to SMEs' requirements, including e-payments, Internet banking, e-trade finance, e-credit insurance and e-credit information, mentioned success stories in those fields and proposed concrete ways of developing e-finance services for SMEs.

Chapter II

MAIN OUTCOMES OF THE EXPERT MEETING

A. Finance

9. The Expert Meeting reviewed the various ways and means of overcoming the bias of financial institutions against lending to SMEs. The experience of many local financial institutions in developed countries shows that with the correct strategy and appropriate information technologies, lending to SMEs has been turned into a highly profitable business. Risk can be reduced by means of various risk management techniques such as credit scoring, external credit rating and risk self-assessment, all of which could be better applied through the use of cost-saving information technologies. Streamlined lending processes, specialized lending departments and a portfolio of products and services adapted to SME needs can also cut costs. The most advanced banks have adopted a strategy to improve their core competencies by adopting those sophisticated credit techniques, strengthening management and information systems and developing highly efficient automatic processes, efficient marketing and distribution, and developing close ties to clients. The experts agreed that, suitably adapted, these strategies could be applied to developing countries and economies in transition.

10. They observed that in developing countries equity funds, and especially venture capital funds, have much greater difficulty in serving SMEs or even identifying fundable ones. Such difficulties severely limit the amount of equity and venture capital funds available to SMEs in developing countries and particularly least developed countries (LDCs). In the case of the LDCs, there is a special need for public-private investment funds devoted to the support and promotion of SMEs and information infrastructure development.

11. The experts reviewed a number of financial services complementary to credits and equity capital, such as leasing, credit insurance and mutual guarantee schemes. These could substantially improve SMEs' access to credit. They recommended that Governments that wish to use loan guarantee schemes ensure that they reach the target beneficiaries, balance risk-sharing among all parties and avoid moral hazard.

12. The experts agreed that the provision of medium- and long-term finance should be closely linked to the delivery of business development services so as to improve both the viability of SMEs and their ability to repay loans. They urged that partnerships be formed between financial institutions, business associations, networks of entrepreneurs and business development service providers which were effective in combining financial services with business development services. One area where SMEs have particular difficulty is the provision of reliable financial information. This severely limits their ability to generate creditor and investor confidence. The experts agreed that Governments could influence reliability of financial information provided by SMEs by adopting user-friendly accounting and reporting requirements.

13. At the international level, the experts urged that those Governments, international organizations and NGOs examining the issues of financing for development note that SMEs are one of the most underserved sectors in developing countries. Those charged with finding new ways to promote financing for development could consider developing debt swaps (within existing aid budgets) as a means of strengthening local financial institutions by providing them with medium- and long-term finance for SMEs, and by taking into consideration finance and guarantee schemes in local currency. Debt swaps could also be used to provide business development services. This could be useful for complementing the heavily indebted poor country (HIPC) debt alleviation facility and for countries not benefiting from that facility.

14. The recommendations of the Expert Meeting could be considered by the Commission in terms of their feasibility and likelihood of adoption. The recommendations meeting those minimum criteria are listed below and are followed by a brief commentary.

Governments

15. *Avoiding crowding out of the private sector, taking into account the specific requirements for medium- and long-term investment finance for SMEs, and ensuring that commercial lending to SMEs is on a sustainable basis. (paras. a-b)*

16. *Designing loan guarantee schemes that reach target beneficiaries, ensure balanced risk-sharing and avoid moral hazard. (para. c)*

17. *Requiring commercial banks to disclose the composition of their loan portfolios, particularly the percentage of loans going to SMEs. (para. d)*

18. *Improving the reliability of financial information provided by SMEs by adopting user-friendly accounting and reporting requirements. (para. e)*

19. Balancing public and private needs would be the most difficult recommendation to implement, but success in this area would dramatically improve SMEs' ability to access finance. Many Governments start loan guarantee programmes, and could at least follow best practices. It is a proven fact that disclosure often improves behaviour. There was a dramatic increase in SME lending after the Small Business Administration in the United States required banks to disclose the percentage of their portfolio going to SMEs. It was obvious who the leaders were and that they were not losing money. This gave those lagging behind an incentive to improve their performance and their image. Lack of reliable accounting information provided by SMEs is a problem in developed and developing countries. Therefore, in the interest of creating transparent, reliable and comparable financial information, Governments could press for an international guideline which they could then tailor to their particular circumstances.

International community

20. *Developing, whenever appropriate, debt swaps within existing aid budgets as a means of strengthening local financial institutions by providing them with medium- and long-term finance for SMEs. (para. y)*

21. *Disseminating information on financial innovations and assisting commercial banks in developing core competencies in credit policy making, risk management, credit information and management systems, and efficient marketing and distribution. (para. aa)*

22. *Developing common standards and systems to link commercial banks and micro-finance institutions to increase outreach and accelerate the mainstreaming of productive poor into the formal financial system. (para. ff)*

23. The international community, when it considers financing for development, should not forget the most underserved sector – SMEs. SMEs can grow and increase their contribution to job and income creation only if they can afford to grow. Financing SMEs can promote development. There is such a wealth of financial innovation available in the developed countries that it could easily be spread to developing countries. The World Bank and the International Finance Corporation are in a unique position to end the knowledge gap in a systematic way. The donor community has heavily supported micro-lending. However, micro-credit helps micro-entrepreneurs to survive but not to make their businesses grow. Therefore, there is a need to provide them with a link to the business and financial services offered to SMEs.

B. E-finance

24. The Expert Meeting stressed the revolutionary impact of open Internet technologies and platforms on financial services. Internet-related innovations make it possible to reduce transaction costs drastically, as well as to increase the speed of financial operations and greatly improve risk mitigation, *inter alia* as a result of the introduction of e-payments, Internet banking, online trade finance, online credit information and other e-finance techniques.

Private and public sectors

25. Modern Internet-based automated data mining technologies are making it possible to build up huge credit information databases and apply modern credit analysis and related credit appraisal, scoring and rating techniques. Consequently, a much improved system of appraisal of SME-related credit risks and processing of their credit applications might become a reality. Finding the best ways of introducing those innovations into developing and transition economies is becoming a pressing policy priority.

26. Developing online credit information and credit scoring and rating databases for SMEs from developing and transition economies should also become an important element of international capacity-building and technical assistance efforts. This should help to greatly shorten the SME credit appraisal process and hence improve the access of SMEs to finance and e-finance both locally and internationally.

27. Local, regional and global e-finance platforms, with the active participation of financial service providers and other companies from developing and transition countries, should also help to make e-finance services available to the enterprises of their countries.

28. SMEs need to acquire Internet-based technologies and skills, as well as to enter into trade-related e-financing arrangements and to lay foundations to develop a strategy for online access to longer-term finance and investment resources. Developing alternative bilateral and multilateral online payments and financing arrangements, such as online clearing houses, could expand the productive and trading frontiers for SMEs from developing and transition countries.

International organizations

29. The international financial institutions (IFIs), through co-financing, training and other technical assistance, should help local financial service providers to introduce e-finance and related financial innovation and thus to help them to seize the possibilities to tap into e-finance-related efficiency gains. They should also participate in the creation of local and regional e-finance platforms of various types with a view to improving the quality of services rendered to SMEs.

30. Equally, IFIs should help the SME sector in developing and transition economies to acquire e-finance-related technologies and skills as a part of improving their competitiveness and participation in the global economy.

31. IFIs should also support Governments, public and private sector entities and NGOs in implementing the above-mentioned recommendations on e-finance.

32. To that end, the international organizations should adopt a more structured approach in assisting the transfer of e-finance-related technology and know-how to local financial service providers and SMEs, and improve the cooperation between public agencies in that field.

Chapter III

PROPOSALS FOR UNCTAD'S FUTURE WORK, TAKING INTO ACCOUNT THE OUTCOME OF THE EXPERT MEETING

Commission on Enterprise, Business Facilitation and Development

33. The Expert Meeting proved that there are certain topics that can attract large numbers of experts because they are of interest to developed and developing countries, and to the public and private sectors, but which for one reason or another are not on the international agenda. Although financial issues and development finance are discussed in many forums, SME finance and e-finance are not widely discussed. There are forums for discussing questions of financial stability and reform as well as financing for development. These are largely macro issues. They are vast topics with many aspects, such as compatibility of international and national prudential regulations, allocation of credit between the Government and the private sector, particularly the most underserved segments, dissemination of financial innovations which improve profitability, capacity-building, provision of business development services with financial services, and transfer and absorption of information technologies. At the end of the Expert Meeting there was general agreement that it had been just a first exchange of views, and that the amount of time available had been insufficient for discussion of all the relevant topics. The experts recommended to the Commission that it keep this topic on its agenda for the next year to further develop the theme and coherent approaches to SME finance and e-finance.

34. *Selecting a topic for the next two years which develops coherent approaches to SME finance, e-finance and non-financial business support services, taking into consideration the work of other agencies, in order to contribute to the effectiveness of UNCTAD's research, intergovernmental discussions and technical cooperation and ultimately to UNCTAD XI.* (para. nn)

35. One of the themes that clearly emerged from the discussions was the pivotal role of medium- and long-term finance for SMEs seeking to enhance their operations by adopting modern technologies. Access to the latter is crucial for improving the competitiveness of enterprises and nations as a whole. At the same time, financial service providers are rapidly moving towards new, mainly e-finance-based technologies. Therefore, an Expert Meeting on the financial, fiscal and trade-related incentives for promoting financing for new technologies for SMEs would be highly relevant, especially for developing countries, and would also be a useful follow-up to the Expert Meeting held in October. Another theme of particular relevance for an Expert Meeting could be new developments in e-financing of enterprises from developing and transition economies.

A. Financing for SMEs

UNCTAD

36. *Completing its work on a user-friendly accounting framework for SMEs that will allow them to produce transparent, reliable and uniform financial and business information and reporting back to the Commission as soon as possible. (para. pp)*

37. *Ensuring, in its technical cooperation programmes for entrepreneurship, that business development services are linked to financial services, and developing the necessary products and services within its programmes in order to facilitate this. (para. qq)*

38. *Developing, together with other relevant international agencies, programmes for women entrepreneurs to facilitate their access to finance, extrabudgetary funds permitting. (para. rr)*

39. All of the recommendations in this section of the Outcome are feasible and some are already being implemented (accounting, women entrepreneurs). These efforts need to be reinforced and adequately funded.

B. E-finance for SMEs

40. The Expert Meeting stressed that UNCTAD should continue systematic research into the impact of various online financial services on economic development, and in particular on opportunities opened up for SMEs to improve their access to finance and e-finance. Major inputs to such research should come from regular forums organized by UNCTAD, including regional seminars and group training, which bring together experts from Governments, central banks, financial service providers and the corporate sector, as well as academia. UNCTAD publications and e-commerce-related events should show to developing and transition countries the advantages of electronic finance at the local, regional and global levels.

41. UNCTAD should also encourage Governments, central banks and financial institutions to collect information on e-commerce and particularly e-finance. That information could be *inter alia* used by UNCTAD in its analysis, intergovernmental deliberations and technical cooperation.

42. Aspects of e-finance that are more relevant to the needs of SMEs should be equally included in UNCTAD technical cooperation activities in the area of e-commerce, and coordination and synergies with other international organizations active in this field should be ensured.

Annex

"Finance and e-finance for SMEs as a means to enhance their operations and competitiveness" (TD/B/COM.3/EM.13/2).

"Best practices in financial innovations for SMEs" (UNCTAD/DITE/TEB/Misc.1).

"E-finance and small and medium-size enterprises in developing and transition economies" (UNCTAD/SDTE/Misc.48).

"Report of the Expert Meeting on Improving the Competitiveness of SMEs in Developing Countries" (TD/B/COM.3/39-TD/B/COM.3/EM.13/3).

The papers on e-finance are available on the Electronic Commerce Branch website www.unctad.org/ecommerce.



**United Nations
Conference
on Trade and
Development**

Distr.
GENERAL

TD/B/COM.3/44
31 December 2001

Original: ENGLISH

TRADE AND DEVELOPMENT BOARD
Commission on Enterprise, Business Facilitation
and Development
Sixth session
Geneva, 18-22 February 2002
Agenda item 5 of the provisional agenda

**MAINSTREAMING GENDER TO PROMOTE OPPORTUNITIES THROUGH THE
INCREASED CONTRIBUTION OF WOMEN TO COMPETITIVENESS**

Note by the UNCTAD secretariat

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Introduction

1. Gender has been on UNCTAD's agenda since the preparation of UNCTAD X. The first Expert Workshop was convened by the secretariat as a pre-Conference event and dealt with the issues of trade, sustainable development and gender¹. Moreover, it clearly identified the need for mainstreaming gender in UNCTAD's substantive work, calling for increased acknowledgement of the potential of gender equality in achieving developmental goals. A gender dimension was also successfully integrated into the preparatory process for the Third United Nations Conference on Least Developed Countries. This was reflected in the insertion of increased emphasis on gender equality in the Programme of Action adopted by the Conference in all areas of developmental concern for the least developed countries (LDCs).²
2. Building on these undertakings and in response to the growing awareness of the role of gender in advancing development goals, the Expert Meeting on Mainstreaming Gender to Promote Opportunities was convened from 14 – 16 November 2001 with the aim to further enhance its understanding and to strengthen the consensus of member States vis-à-vis the developmental role of gender. The mandate for this Expert Meeting was to consider "ways to improve the contribution of women in developing their countries' and regions' competitiveness, in increasing trading opportunities and in attracting investment and technology".
3. The Expert Meeting focused on five thematic areas in accordance with UNCTAD's substantive mandate for considering the critical aspect of gender for trade and development. These issues are: (i) foreign direct investment; (ii) trade in services; (iii) trade in commodities; (iv) enterprise development; and (v) the potential impact of information and communication technologies (ICTs). The specific problems of LDCs were addressed in a cross-sectoral manner.
4. The Experts, representing both developed and developing countries discussed the above issues on the basis of an issues note by the secretariat³. Their deliberations resulted in the adoption of the Outcome⁴, which outlines specific recommendations and policy options addressed to Governments and to the international community, including UNCTAD.
5. The purpose of this note is to assist the Commission in its consideration of the policy issues related to gender mainstreaming examined by the Experts. It is divided into three sections. The first section outlines specific policy issues adopted by the Experts for consideration by the Commission at the national level. The second section explores possible areas of future work for UNCTAD, and the third section presents some concluding remarks.

1 The UNCTAD X Expert Workshop on Trade, Sustainable Development and Gender was held on 12 – 13 July 1999 in Geneva and its results are contained in Trade, sustainable development and gender. Papers prepared in support of the themes discussed at the Pre-UNCTAD X Expert Workshop on Trade, Sustainable Development and Gender, New York and Geneva 1999 (UNCTAD/EDM/Misc.78).

2 Programme of Action for the Least Developed Countries, adopted by the Third United Nations Conference on the Least Developed Countries. (A/CONF.191/11) and Outcome of the Pre-LDC III Workshop on LDCs: Building Capacities for Mainstreaming Gender in Development Strategies, Adopted in Cape Town on 21 – 23 March 2001 (A/CONF.191/BP/2).

3 Expert Meeting on Mainstreaming Gender in Order to Promote Opportunities, Note by the UNCTAD secretariat. (TD/B/COM.3/EM.14/2).

4 Outcome of the Expert Meeting on Mainstreaming Gender in Order to Promote Opportunities (TD/B/COM.3/EM.14/L.1).

I. National level policy questions for consideration by the Commission

6. Linked to the five thematic areas selected for examination by the Expert Meeting, the following policy aspects emerged in the deliberations and were reflected in the Meeting's Outcome.

Foreign direct investment (FDI)

7. It is widely recognized that foreign direct investment (FDI) has a substantial impact on employment and its gender structure. This impact varies across countries and sectors and is also significantly influenced by employment practices and approaches adopted by investors. Moreover, policy makers of host countries can design and implement policy tools to ensure that FDI not only advances developmental goals, but also reflects the importance of both sexes in terms of their contribution to economic activities.

8. While acknowledging the scope for national policies, the Experts also emphasized the importance of further research on the impact of employment practices derived from investments to ensure that policy makers make informed decisions on gender-aware policies as they relate to FDI. In this light, it was considered essential to systematically collect sex-disaggregated data on employment and wages, which did not seem to be the practice in most FDI host countries.

9. The Experts expressed concern over some forms of FDI and called for the screening of FDI flows with regard to their consistency with macro-economic and development goals, including gender equality. In this respect, experts reiterated the need for promoting gender-sensitivity and social responsibility in the private sector. It was deemed appropriate to take into account gender impact when designing programmes targeting FDI and strategies geared to attract FDI into particular sectors and industries.

Trade in Services

10. In order to devise appropriate policy actions, it was considered essential to better understand the gender dimension of trade in services. Due consideration of development concerns, equity in the distribution of trade benefits and the issue of social impact were crucial aspects to be incorporated in public policies applied to the service sector. Trade in services has already demonstrated a great potential for growth, as well as raised particular questions concerning the contribution by women. Examples provided by the Experts in this respect related to health services and tourism, where, the above had not been adequately addressed. This had sometimes resulted in unfair treatment of women providers of particular services.

11. The Experts also recognized that the services sector is one of those sectors where exact data, especially sex-disaggregated ones, is not easily available or made available. In this context, the Experts proposed that Governments press for better collection, classification and analysis of statistics and qualitative data, to grasp the special characteristics of women's work in services. This was considered to be the basis for formulating adequate policies for social and gender equality in services.

12. For the purpose of increasing the competitiveness of women in the services sector, the Experts invited Governments to devise and implement direct programmes and encourage voluntary, targeted actions by the business community in order to promote productivity in services.

13. The Experts recognized the potential vulnerabilities of developing countries in the area of multilateral and regional negotiations, especially with respect to the services sector. While negotiating, developing countries need to take into account not only their broader developmental goals, but should also ensure that gender is considered, especially concerning gender sensitive sectors, such as health services or tourism.

14. The Experts also emphasized the need for the increased participation of women in policy and decision making by improving their competencies/skills in leadership roles in trade in services.

Trade in commodities

15. The greatest obstacle for increasing the contribution of women in the area of commodities is women's blocked access to economic assets especially land, property, and all the benefits deriving therefrom. This has obvious negative implications on their participation in the production process of commodities, as well as its trade. In some cases, blocked access is the result of an inefficient legal framework and resilient customary laws. In this respect, the Experts believed that Governments should review laws, policies and administrative practices, including customary and traditional laws, to ensure equal access to land ownership, rights to property and earnings, and credit in rural areas.

16. Given the unequal participation of women in productive processes, the Experts recommended Governments undertake proactive policies aimed at encouraging the creation of cooperatives and enterprises for women. These proactive policies would facilitate women's access to information, communication, technologies and trading networks, for their full potential to be duly utilized. Governments could play a vital role though initiating and encouraging activities aimed at providing business support services, such as marketing and business planning for women. These measures could also be strengthened by gender-sensitive, agricultural extension programmes.

Enterprise development

17. The Experts recognized that women's participation in entrepreneurial activities is rather limited in a number of developing countries. Due to the unavailability of productive resources, women were excluded from productive and marketing processes, and were therefore unable to draw benefits to ensure their livelihoods. Once again, the Experts felt that this was a consequence of a combination of factors and placed the blame on legal, regulatory and financial systems.

18. In this respect, Governments should review and adopt laws and commercial regulations to enhance women's access to ownership and the effective use of economic resources. In order to facilitate women's access to the financial resources required for any of the economic initiatives in entrepreneurship, the Experts called upon Governments to ensure that domestic financial institutions reach those segments of prospective women entrepreneurs not yet adequately served, by undertaking a set of affirmative actions in the field of financing and banking.

19. The Experts also recommended that public institutions support the creation of national networks of women entrepreneurs and business associations. Such networks and associations could increase women's participation in economic activities, as well as enhance their capacity to influence economic decision making on the national level.

Information and Communication Technologies (ICTs)

20. Recent major breakthroughs in the development of information and communication technologies resulting in the creation of the Internet, which was seen as a public good, necessitated active public policies to ensure that its benefits were shared by both men and women. The issue of women's access to ICTs is still a major concern in many countries. The inability of women to access the Internet negatively affected their participation in the labour market. Such gender inequality and bias in Internet access also resulted from a combination of factors, most notably infrastructure requirements and the perception role of women in society.

21. In this respect, the Experts called for Governments to secure and allocate the required resources to satisfy the necessary infrastructure requirements (telephone lines, Internet provider services, etc.) as a crucial, long-term developmental goal. Some measures, however, could be applied immediately, even in the absence of huge infrastructure investment. Governments, in cooperation with local authorities, could establish or support the establishment of Internet centres with affordable pricing structures which would ensure women's access to the Internet. These policies could also be accompanied by various awareness raising and training programmes aimed not only at the simple use of the Internet but, most importantly, at ensuring that women take advantage of the opportunities offered, such as those of setting up businesses.

22. The Experts also recognized that women's representation in the information technology industry is less than satisfactory. In their view, Governments should: enact policies aimed at increasing the enrolment of female students in ICT related courses through specific promotion campaigns and scholarships; ensure the participation of women in the design and development of new technologies, and ensure the representation of women in ICT policy-making bodies.

II. Proposals addressed to the international community and UNCTAD

Foreign Direct Investment (FDI)

23. The Experts recognized the importance of information sharing between Governments on best practice examples from different industries and countries related to employment equality (including recruitment, training, promotion and working conditions) in transnational corporations (TNCs), especially in export processing/free trade zones. Such exchange of information would ensure that national policies take into account lessons learned. UNCTAD, together with other international organizations may wish to concentrate on these issues in the framework of its programmes dealing with FDI and TNCs.

24. The Experts also called upon UNCTAD to integrate a gender perspective in all future analyses and research, as well as in the advisory services related to FDI and its impact on host

economies. They also called upon UNCTAD to examine TNC subcontracting approaches in terms of the effects on supplier firms and the informal sector.

Trade in Services

25. In the area of trade in services the Experts recognized the importance of considering the trade liberalization process in its entirety. In this context, they identified the need for establishing appropriate international standards for business and professional qualifications and conduct. As a lack of these measures could bring negative consequences to women's livelihood, the Experts concluded that UNCTAD may wish to investigate this issue further.

26. In the area of statistics, the Experts believed UNCTAD was well suited to participate in the process of designing and implementing the collection of suitable information in the service sector.

Trade in Commodities

27. It was recognized that women, given their share of labour in the production of some high value added commodities such as fresh fruits and vegetables, could benefit if these products were adequately marketed. In this respect, women could acquire expertise in achieving quality standards in each market segment in the importing country through training. UNCTAD, with ITC could organize relevant workshops, as well as other capacity-building activities, including technical assistance programmes.

28. The Experts recognized the potential of agro-tourism as a means of enhancing women's economic participation in rural areas. As such, they called on UNCTAD to seek ways and means to explore the potential and opportunities offered by such initiatives.

Enterprise development

29. The Experts underlined the importance of information sharing and networking among women entrepreneurs. These activities undoubtedly increased women's potential to conduct business and to become economically more independent. In this respect, experts proposed that UNCTAD, in cooperation with other international organizations, promote regional networks of women entrepreneurs and business associations.

30. Given the existing enterprise development programmes in UN organizations, the Experts felt that it was essential that these organizations remain up-to-date of the others' activities and jointly contribute to improving the coherence of policies and strategies at both the national and international levels.

Information and Communications Technology (ICTs)

31. Mainstreaming gender in the overall work on ICT and e-commerce is a matter of urgency. The Experts recommended that UNCTAD continue its work on identifying ways and means in which ICT and e-commerce could create new economic opportunities for women. In this regard the Experts felt that UNCTAD should undertake analytical and case-study-based work on gender-specific opportunities of the digital economy, with special emphasis on: i) the level of

employment provided to women in ICT-related services sectors; ii) the extent to which these sectors are involved in export; and iii) the type of employment foreign firms provide in these service sectors, from a gender perspective.

III. Concluding remarks

32. The Expert Meeting provided a unique opportunity to discuss policy options concerning gender and development within the framework of UNCTAD's intergovernmental machinery. The initial, informal feedback from both experts and other Government representatives, and the level of participation and debate, as reflected in the Outcome, indicate that mainstreaming gender is important to UNCTAD's role and mandate. The Meeting also called on UNCTAD to play a role in mainstreaming gender issues in its work.

33. The Experts highlighted the following points on how UNCTAD could best address the gender and development dimension in its work and activities:

- Support various technical assistance initiatives for aiding women in capacity-building and initiatives for the production and commercialization of commodities;
- Advocate gender sensitive policies in multilateral and regional trade negotiations, in line with the liberalization of trade in services;
- Undertake analysis on the gender impact of FDI in host countries, as well as examine subcontracting practices of TNCs, with a view to identify opportunities for gender equality;
- Promote regional networks of women entrepreneurs, as well as further UNCTAD's links to enterprise development programmes of other UN agencies;
- Mainstream gender in UNCTAD's overall work and develop programmes in which ICTs and e-commerce could create new economic opportunities for women, in cooperation with Governments and other UN specialized agencies.



**United Nations
Conference
on Trade and
Development**

Distr.
GENERAL

TD/B/COM.3/45
21 December 2001

Original: ENGLISH

TRADE AND DEVELOPMENT BOARD
Commission on Enterprise, Business
Facilitation and Development
Sixth session
Geneva, 18-22 February 2002
Item 6 of the provisional agenda

**PROGRESS REPORT ON THE IMPLEMENTATION OF THE AGREED
RECOMMENDATIONS OF THE COMMISSION AT ITS FIFTH SESSION**

Prepared by the UNCTAD secretariat

Executive summary

The note on "Improving the functioning and the structure of the intergovernmental machinery of UNCTAD" (TD/B/EX(24)/L.1), re-endorsed by the Trade and Development Board at its twenty-sixth executive session on 10 April 2001, stated *inter alia*: "Starting with the second session of each Commission, the fifth day of the session will be used for policy reviews of implementation by member States and the secretariat of the outcome of previous sessions, on the basis of documentation produced by the secretariat". Accordingly, the secretariat has prepared the present report, which contains information on the implementation of decisions and agreed conclusions adopted at the fifth session of the Commission on Enterprise, Business Facilitation and Development and addressed to UNCTAD. The report covers three areas: enterprise development, electronic commerce and human resources development. The section on enterprise development focuses on promoting SME-TNC linkages and improving SMEs' access to finance. The section on electronic commerce emphasizes the impact of the new economy on traditional sectors in developing countries, such as commerce and tourism. The section on human resources development and training in trade-supporting services highlights the key role that these play in promoting growth in LDCs.

1. The report of the Commission on Enterprise, Business Facilitation and Development on its fifth session (TD/B/COM.3/37) contained a number of recommendations for action by UNCTAD. These recommendations are set out below, together with the relevant action taken so far.

**A. ENTERPRISE DEVELOPMENT: ENHANCING COMPETITIVENESS
THROUGH PROMOTING SME-TNC LINKAGES AND IMPROVING SMEs'
ACCESS TO FINANCE**

2. Countries were asked to assess the recommendations in the section entitled "Enhancing the competitiveness of SMEs in the context of FDI in developing countries: Relationships between SMEs and TNCs to ensure the competitiveness of SMEs". Four responses were received from Governments. They agreed overwhelmingly that TNC-SME linkages can have a positive impact on national growth and development, in particular for enhancing the productive capacity of the enterprise sector. Some Governments have started linkage programmes that include some of the elements discussed during the Expert Meeting, such as providing information on subcontracting, assisting buyer firms seeking network sourcing and helping small and medium-sized enterprises (SMEs) achieve the quality standards necessary for entering subcontracting programmes. Governments noted that while these programmes were well developed in Asia, they did not yet exist on the required scale in Africa and Latin America. They expressed their interest in receiving any technical assistance developed as a result of the Expert Meeting. They suggested that such assistance could be put in place via programmes such as EMPRETEC and Enterprise Africa.

3. Pursuant to the recommendations of the 5th session of the Commission, the Division on Investment, Technology and Enterprise Development (DITE) made extensive efforts to collect additional examples of linkage programmes, especially those involving SMEs in developing countries and foreign affiliates of transnational corporations (TNCs). All the information collected is contained in the *World Investment Report 2001: Promoting Linkages*. In addition, DITE has drawn up a project proposal to assist countries desiring to start linkage programmes. There are two main phases: advisory services to Governments, and capacity-building and linkage generation.

4. In December 2001 UNCTAD organized a workshop in China entitled "Asian Regional Seminar and the Role of Foreign Direct Investment in Enhancing Local Firms' Competitiveness through Linkages with Transnational Corporations" as part of the Expert Meeting on foreign direct investment and development. In January 2002, UNCTAD in cooperation with the Economic Commission for Latin America and the Caribbean (ECLAC) organized an event in Chile entitled "Regional Seminar on FDI Policies in Latin America: Evaluating the Old, Contemplating the New". These workshops are part of UNCTAD's efforts to exchange experiences and to disseminate information on national best practices in stimulating TNC-SME linkages on a regional level. However, organizing further regional workshops on successful linkage programmes as part of UNCTAD's advisory services to Governments would require extrabudgetary funding.

5. Pursuant to the recommendations of the 5th session of the Commission, DITE explored ways and means of promoting TNC-SME linkages within the framework of the EMPRETEC programme in order for SMEs to become more competitive. This was carried out in Phase II of the project proposal "Promoting mutually beneficial and sustainable SME-TNC linkages", in which it is proposed to make SMEs partnership-ready and to form business partnerships between SMEs and TNCs. A number of EMPRETEC directors have expressed interest in implementing such a programme in their respective countries. Again, extrabudgetary funds must be raised on a country-by-country basis to carry out this proposal.

6. During the course of 2001 intensive research took place on financing for SMEs and was reported on in the secretariat's background paper "Best practices in financial innovations for SMEs". This was reviewed and discussed by over 120 experts who attended the Expert Meeting on Improving Competitiveness of SMEs in Developing Countries: Role of Finance, including E-Finance to Enhance Enterprise Development, held in Geneva in October 2001. Work has begun on the topic of corporate governance. Among the main issues are fairness, transparency, accountability and responsibility. Therefore, work on corporate social responsibility will be done within the context of this topic. Work has been undertaken on the impact of WTO commitments on national policies for SME development and is contained in the study "The interaction between trade and enterprise development policies". Further analysis should be undertaken in the post-Doha period, particularly in developing a checklist of SME strategies that developing countries can pursue without infringing their WTO commitments.

B. CAPACITY-BUILDING IN ELECTRONIC COMMERCE: IMPACT OF THE NEW ECONOMY ON TRADITIONAL SECTORS OF DEVELOPING COUNTRIES: ELECTRONIC COMMERCE AND TOURISM

7. Pursuant to the recommendations of the 5th session of the Commission, the secretariat undertook a series of actions.

Recommendation

8. UNCTAD, within its mandate, should contribute to strengthening the ability of developing countries, particularly the least developed countries (LDCs), to develop and implement policies on e-commerce, by carrying out analytical and statistical studies on the implications, for the developing countries, of the economic, social and legal aspects of e-commerce, and in so doing, complement and enrich from the development perspective the work being carried out by other international organizations, such as the World Trade Organization, the World Tourism Organization, the International Telecommunication Union, the World Intellectual Property Organization and the United Nations Commission on International Trade Law.

Action

9. Studies were carried out on a wide range of subjects and the results were reported in the annual publication *E-Commerce and Development Report 2001*. The areas of study, with a focus on developing countries, included measuring electronic commerce, assessing the impact of countries' participation in e-commerce, e-commerce and tourism, business-to-business electronic markets, e-government, legal and regulatory developments in e-commerce, managing payment and credit risks on-line, e-logistics, and e-commerce in LDCs and in China.

Recommendation

10. UNCTAD should disseminate information to developing countries on approaches and elements of policies and best practices for e-tourism, taking into account successful experiences in the developing and developed countries.

Action

11. The background document entitled "Electronic commerce and tourism: New perspectives and challenges for developing countries" (TD/B/COM.3/EM.9/2), which had been presented to the Expert Meeting on Electronic Commerce and Tourism, was widely distributed via the Internet. More than 2,000 copies were distributed as downloads on the Internet, as well as through the normal UNCTAD distribution channels.

12. At the invitation of the Cabinet of the President of Egypt, in February 2001 UNCTAD presented the findings of its study on electronic commerce and tourism at an international conference on e-business and development in Cairo.

13. UNCTAD included in its *E-Commerce and Development Report 2001* a chapter on the application of electronic commerce in the tourism sector and its potential for developing countries. The chapter addresses the issues of structural change in the global tourism industry and the gains that developing countries may achieve if they pursue the adoption of e-commerce practice.

Recommendation

14. The secretariat should continue to organize Expert Meetings, seminars and workshops aimed at helping developing countries to learn approaches to be used in applying e-commerce in various economic sectors and activities, such as banking, transport, insurance and procurement.

Action

15. UNCTAD organized two such Expert Meetings. The first – the Expert Meeting on Electronic Commerce and International Transport Services: Best Practices for Enhancing the Competitiveness of Developing Countries – was held in Geneva from 26 to 28 September 2001. A total of 80 experts attended the meeting to examine the impact of electronic commerce on international transport services, focusing in particular on the economic, legal, documentary and capacity-building aspects involved. The secretariat had prepared a note entitled “Electronic commerce and international transport services: Enhancing the competitiveness of developing countries” (TD/B/COM.3/42). It proposed possible policy actions, as well as recommendations, at the national and international levels. The Outcome of the meeting is contained in document TD/B/COM.3/EM.12.3-TD/B/COM.3/38.

16. The second Expert Meeting – the Expert Meeting on Improving the Competitiveness of SMEs in Developing Countries: Role of Finance, including E-Finance, to Enhance Enterprise Development – was held in Geneva from 22 to 24 October 2001. Two Divisions were involved in the preparation and delivery of the meeting – the Division on Investment, Technology and Enterprise Development, for traditional finance, and the Division for Services Infrastructure for Development and Trade Efficiency, for electronic finance. A total of 120 experts attended the meeting to discuss the issues raised in the secretariat’s issues paper entitled “Finance and e-finance for SMEs as a means to enhance their operations and competitiveness” (TD/B/COM.3/EM.13/2). Experts also had at their disposal the background paper by the secretariat entitled “E-finance and small and medium-size enterprises (SMEs) in developing and transition economies” (UNCTAD/SDTE/Misc.48). Experts from both developing and developed countries made presentations and submitted papers covering a wide range of issues related to SMEs’ access to e-finance. The papers are available on the Electronic Commerce Branch website. Fruitful discussions led to a set of recommendations contained in document TD/B/COM.3/EM.13/L.1. The recommendations related to e-finance, including in particular the following: continuing systematic research into various on-line financial services and their impact on economic development; organizing regular forums, including regional seminars and group training, to sensitize Governments, central banks, financial service providers and the corporate sector of the developing countries and countries in transition about the advantages of electronic finance at local, regional and global levels; incorporating the aspects of e-finance that are more relevant to the needs of SMEs into the UNCTAD technical cooperation activities in the area of e-commerce, and ensuring coordination and synergies with other international organizations active in this field; and encouraging Governments, central banks and financial institutions to collect information on e-finance and using it for analysis, intergovernmental deliberations and technical cooperation.

17. In addition to the two Expert Meetings, the secretariat participated in conferences on transport, banking and legal issues. It presented a paper entitled “E-commerce for ports” at the 27th Council meeting of the Port Management Association of Eastern and Southern Africa, held in Arusha, United Republic of Tanzania, from 5 to 9 November 2001. In addition, it participated in the International Symposium on Network Economy and Economic Governance (Beijing, China, 19-20 April 2001), the International Symposium on E-

Commerce" (Ningbo, China, 19-24 April 2001) and the National Seminar on E-Commerce and Development, organized by UNCTAD and the Ministry of Foreign Affairs (Montevideo, Uruguay, 20-21 June 2001).

Recommendation

18. The secretariat should continue to raise the awareness of developing countries and collect and disseminate information through various channels, including periodical publications, about different aspects of e-commerce, including the potential benefits of e-commerce, new Internet technologies, on-line trading practices and systems, payment systems, Internet strategies, ongoing work on e-commerce carried out in other international forums, developments regarding legal and regulatory issues, and policy approaches adopted by other countries.

Action

19. This recommendation has been implemented through various activities described in other parts of this report. These include the *E-Commerce and Development Report 2001*, the Third United Nations Conference on the Least Developed Countries, Expert Meetings and participation by UNCTAD staff in seminars and workshops on e-commerce.

20. Also, an effort has been made to make the Electronic Commerce Branch website (www.unctad.org/ecommerce) more accessible and wide-reaching. It has been redesigned to improve navigability and access to publications and documents. The generic e-mail address, ecommerce@unctad.org, is serviced on a daily basis and all inquiries are answered. The content of the website is regularly updated and it is registered with all the major search engines and portals. The publication *Building Confidence: Electronic Commerce and Development* (UNCTAD/SDTE/MISC.11) was distributed in over 170,000 copies as downloads from the Internet.

21. Furthermore, the secretariat participated in a number of conferences. It participated in a conference entitled "Ethiopia in the Knowledge Age", at which it presented a paper on "The participation of developing countries in e-commerce: Selected case studies and areas with potential for success", and in various conferences organized by other international organizations such as the United Nations Economic Commission for Europe, the International Telecommunication Union, the Organisation for Economic Co-operation and Development, and the World Trade Organization.

22. Advice to Governments in the form of presentations and substantive participation was offered by staff members at various e-commerce seminars and workshops, including the international conference on emerging markets (Kuala Lumpur, Malaysia, 15-16 January 2001), the OECD conference on emerging markets (Dubai, United Arab Emirates, 15-17 January 2001), the ASYCUDA High-Level Meeting on E-Commerce and Taxation in Central/Eastern Europe (Brussels, 19-22 June 2001) and the 14th Bled e-commerce conference (Bled, Slovenia, 25-26 June 2001).

Recommendation

23. The secretariat should continue to assist developing countries in capacity-building through training courses and technical cooperation on various aspects of e-commerce generally, and in specific sectors, including e-tourism, e-transport, e-finance and enterprise development.

Action

24. On the basis of this recommendation, the secretariat is currently finalizing the development of a course on legal aspects of electronic commerce based on the TrainForTrade methodology, which will be available in 2002. It targets a wide audience of private and public sector policy makers and practitioners in developing countries, and includes a detailed description of the legal issues involved in e-commerce (including appropriate examples/case studies), the problems raised in an electronic environment and possible solutions. The following issues are covered by the course: commercial law issues/electronic contracting, electronic/digital signatures and authentication, content regulation, applicable law and jurisdiction, resolving e-commerce disputes, intellectual property issues, privacy and data protection, taxation, security, and junk e-mail and its regulation. The training package will consist of a handbook for participants, a guidebook for instructors, audio-visual aids, case studies and transparencies. Furthermore, and in accordance with the new strategy of the TrainForTrade 2000 programme, it will include a distance-learning component.

25. In addition, a course on legal aspects of international trade and electronic commerce was given in Rotterdam (27-28 June 2001) in the context of the Erasmus Professional Development Courses in Maritime Transport. Participants were awarded a certificate of attendance upon completion of the two-day course.

Recommendation

26. The secretariat should continue to assist developing countries, particularly LDCs, in identifying potential opportunities for the development of e-businesses in their countries and promote partnerships with e-businesses in developed countries.

Action

27. In preparation for the Third United Nations Conference on the LDCs (Brussels, 14-20 May 2001), the secretariat conducted a survey on electronic commerce in 10 LDCs – Bangladesh, Cambodia, Ethiopia, Madagascar, Mozambique, Myanmar, Nepal, Togo, Uganda and the United Republic of Tanzania. The main objective of the survey was to identify potential sectors that information and communication technologies (ICTs) are opening up in developing countries for economic diversification and growth, with a special focus on the LDCs.

28. The survey identified potential business opportunities resulting from the World Wide Web and web-enabled technologies, and examined ways to extend the benefits of ICTs to the LDCs. It presented enterprises from LDCs that had successfully taken advantage of the Internet. Also presented were partners, governmental and non-governmental institutions, that were currently promoting and/or supporting e-commerce initiatives at the enterprise level.

29. Successful enterprises as presented in the survey (business-to-business and business-to-consumer) demonstrated that entrepreneurs find solutions to bypass the well-known e-commerce barriers and successfully engage in e-commerce businesses. On the basis of the findings, a one-day event entitled "The Digital Economy" was held in Brussels on 18 May 2001 on the occasion of the Third United Nations Conference on the LDCs. It focused on promising sectors where developing countries, including LDCs, can have a comparative advantage in the digital era. This is the case of "off-line teleservicing" (business-to-business), which is recognized as a very viable opportunity for the LDCs. It includes transcription services, data input, software development, remote access server maintenance, web development, creation of databases, digitization of old documents (i.e. architectural drawings), translations and editing. A few case studies indicated that opportunities abound in this industry, even if the LDCs already face stiff competition from other developing countries (India, Philippines, etc.) that are also able to offer a lower-labour-cost environment. In addition to attractive low labour costs, e-commerce creates opportunities to exploit advantages deriving from the loss of economic significance of distances and the geographical location of LDCs in various time zones.

30. The event also provided the 150 participants with an opportunity to share their experiences, as well as enabling entrepreneurs from LDCs to explain their e-commerce strategies and experiences. In that regard, it helped to promote the dissemination of best practices to be implemented in e-commerce in different sectors, and increased developing countries' awareness of potential benefits of ICTs and of how to exploit the new comparative advantages created by e-commerce in the LDCs.

Recommendation

31. The secretariat should continue to assist developing countries and their destination management organizations, in cooperation with other relevant international organizations, in developing tourism portals to improve their marketing of e-commerce and e-tourism.

Action

32. UNCTAD has started to develop a technical assistance package aimed at strengthening national capacities in the developing countries in the field of on-line marketing of tourism and related services. The package was presented during the digital economy parallel event at the Third United Nations Conference on the LDCs.

33. The secretariat is currently preparing a brochure describing the package for distribution to member States for their consideration and views.

34. UNCTAD organized a mission to Mauritania in July 2001 to discuss ICT issues and a possible project to establish an e-tourism portal.

Recommendation

35. UNCTAD, within its mandate and in cooperation with other international organizations, should continue to assist countries in transition in studying e-commerce issues, capacity-building, and developing and implementing policies on various aspects of e-commerce generally, as well as on its specific sectors.

Action

36. The action taken in relation to the recommendation in paragraph 17 of this report also applies to that recommendation.

C. HUMAN RESOURCES DEVELOPMENT AND TRAINING IN TRADE-SUPPORTING SERVICES: KEY TO GROWTH WITH SPECIAL POTENTIAL FOR LDCs

37. Pursuant to the recommendations of the 5th session of the Commission, the secretariat undertook a series of actions.

Recommendation

38. Awareness-raising and dissemination of best practices should be promoted among government officials, private sector companies, relevant business associations and academic institutions through the holding of workshops, the production and dissemination of printed materials and the maintenance of web pages dedicated to human resources development (HRD) in trade-supporting services.

Action

39. This recommendation has been implemented through all the training activities undertaken by the SITE/HRD section. The core of these activities consists of training, which is one of the most appropriate instruments to raise awareness and disseminate best practices. Three training courses have been developed: (a) the Portuguese version of the Port Certificate; (b) the course on trade, development and environment; and (c) the course on the formulation and implementation of a competition law and policy.

40. Individual websites have been redesigned into a comprehensive Internet site linking individual programmes, i.e. TrainForTrade, TrainMar and the Port Certificate, to one another under the umbrella of the UNCTAD/SITE/HRD website. In addition to background information on products, services and methodology, the website features direct links

websites of technical partners, such as networks, centres and other professional institutes, either technical (ports, chamber of commerce) or academic (training institutions, universities etc.), that can provide updated information on their activities. A search engine allows users to locate existing training materials on a variety of subjects. This site and its contributors abide by an UNCTAD-approved legal protocol guiding use and supply of information.

41. Furthermore, the SITE/HRD section participated in international conferences and seminars where presentations on "TrainMar experience in dangerous goods training", "UNCTAD experience in port EDI" and "EDI and port management" were made. A paper on "Flexible and open learning: The TrainMar experience" was presented and disseminated during the XVIth International Port Training Conference, held in Rotterdam from 27 to 30 May 2001.

Recommendation

42. Complementary initiatives in HRD should be taken for international and regional cooperation, and there should be participation in existing ones in cooperation with ITC, WTO and other international organizations.

Action

43. In July 2001 a cooperation activity was undertaken between UNCTAD (TrainForTrade) and ILO for the implementation of a joint training programme aimed at mainstreaming trade issues and fundamental principles and rights at work into development policy. This cooperation comprises the design, preparation, organization and delivery of a training session to be held at the International Training Centre of the ILO in Turin on the basis of common pedagogical material that will be developed. Subsequently, this training material will be used in deliveries directly organized in the field, as part of UNCTAD's capacity-building activities.

Recommendation

44. A pilot exercise should be conducted in a particular country, with the assistance of the secretariat and external expertise, preferably from developing countries, to prepare a model policy framework for use at national level. The findings of this pilot exercise, including a review of the resulting action within the country, should be published and further reviewed at a regional workshop of HRD specialists, officials and managers, including regional organizations.

Action

45. A phased project document proposal for the "Establishment of an HRD Policy framework in trade-supporting services" was prepared and submitted to several potential

recipient countries. Activities include: (a) identification of a suitable host country by ensuring the necessary commitment; (b) preparation in the host country of an HRD framework acceptable for application in a well-defined community, including trade-supporting services; (c) application of a policy within this community which may be modified as necessary to be effective; and (d) review of achievements and exchange of experience with other countries for the definition of the model policy framework.

46. The UNCTAD secretariat has focused on obtaining the agreement of a suitable recipient country to host the project and contacting donor agencies to support project activities. At present the Government of Uganda has confirmed its willingness to implement the project and UNCTAD is looking for financial support from donor organizations.

Recommendation

47. LDCs should be assisted in adapting the model policy framework of HRD, taking into account the market needs of LDCs and their learning capacities, as well as the learning needs of individuals involved in trade-supporting services.

Action

48. Concrete proposals in the form of deliverables relating to HRD and capacity-building for LDCs were submitted to the thematic session on "Human resources development and employment" at the Third United Nations Conference on the Least Developed Countries, held in Brussels in May 2001.

49. These include projects for the reinforcement of HRD and capacity-building in the field of international trade and services structures in Togo, Guinea, Comoros, Madagascar, Cambodia and the Lao People's Democratic Republic. Activities focus on analysis of training needs in each country, the development of training courses and the evaluation of training effectiveness.

50. In addition, a joint ILO/UNCTAD capacity-building proposal to develop the necessary resources to enable the PALOP countries (Angola, Cape Verde, Guinea-Bissau, Mozambique, and Sao Tome and Principe) to increase their competitiveness in the field of international trade and environment was submitted to the recipient countries

Recommendation

51. International programmes for training the trainers should be reinforced, and help should be provided to establish or reinforce regional-based training systems so as to enhance training opportunities and optimize the use of resources, including universities.

Action

52. To reinforce training capacity in developing countries and ensure long-run sustainability, the HRD training programmes integrate a training-of-trainers component in their technical assistance activities. These cover identification, among national responsible officers, of future trainers; delivery of course developers and instructors workshops; and implementation of train-the-trainers seminars at national and subregional levels.

53. Two training-of-trainers workshops have been conducted in the framework of the Port Certificate Programme: the first in September 2001 in Ghent (Belgium) for managers of ports in French-speaking Africa; and the second one in November 2001 in Cape Verde for ports of Portuguese-speaking countries.

Recommendation

54. The role of communities in trade-supporting services and the ways in which HRD can be enhanced by cooperation across communities should be explored, and recommendations made.

Action

55. National Steering Committees, within technical assistance activities, have been established in Benin, Burkina Faso, Gabon, Mali and Senegal to bring together representatives of government ministries, the private sector, universities and institutes involved with imports and exports. This procedure has been established so as to improve dialogue among the various stakeholders and facilitate cooperation across communities.

Recommendation

56. Distance-learning techniques should be integrated into the range of measures to carry out the above activities, and assistance should be provided for the necessary infrastructures.

Action

57. Further to delivery of training through traditional methods, distance learning has been incorporated into the Port Certificate and into the TrainForTrade training programmes. On 1 October 2001 a pilot exercise in distance learning started to be implemented to train eight participants located in Senegal and Comoros for the Port Certificate. A training course on competition law and policy, consisting of four half-day sessions, was implemented in November–December 2001 for participants located in Benin, Burkina Faso and Mali.

58. A new training course on "Further training for course developers in the field of distance learning" was designed and validated in February 2001 in Antwerp (Belgium). Distance-learning activities are being added to training activities implemented by various

UNCTAD departments. Already two training seminars on "negotiation of international agreements on investment", held in Alexandria in June 2001 and in New Delhi in November 2001, have added distance-learning components such as production of pedagogical material on CD-ROMs and use of chat forums through e-platforms.

Recommendation

59. UNCTAD capacity-building programmes should be strengthened to further promote networking among countries in the field of HRD.

Action

60. In order to reinforce the efficiency of the existing networks, the activities of the three training programmes (TrainForTrade, TrainMar and Port Certificate) have been grouped under the HRD umbrella. The main instrument is the forthcoming HRD website through which information may be exchanged, and high-quality training packages may be developed, produced and updated to meet the needs of professionals in international trade.